

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

IN RE:  IES UTILITIES INC.	DOCKET NO. WRU-99-40-151 (EAC-01-07)
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**ORDER GRANTING SUPPLEMENTAL WAIVER  
OF 199 IAC 20.9(2)**

(Issued March 26, 2001)

On March 13, 2001, IES Utilities Inc. (IES) made a filing, identified as Docket No. EAC-01-07, in compliance with 199 IAC 20.9(2). That rule provides the mechanism for an automatic adjustment clause for rate-regulated electric utilities, commonly known as an energy adjustment clause (EAC). The rule requires, among other things, a filing before each billing cycle showing the adjustment amount to be collected. IES asked for expedited processing of this month's EAC filing to allow time to make certain proposed system changes for the April 2001 billing month.

Normally, objections to an EAC filing may be filed at any time within 20 days after the date the report is filed. Thus, objections to this filing may be filed until April 3, 2001. The Utilities Board (Board) finds that IES's request for expedited treatment is reasonable in these circumstances and will grant the request for expedited processing; however, if any objections are filed on or before April 3, 2001, the Board will address those objections at that time.

In this filing, IES is proposing to include an additional \$0.008 per kWh to reflect an unusual increase in IES's fuel costs, resulting in high-energy costs. A comparison to prior period costs demonstrates the magnitude of the increase; for the period December 1999 through February 2000, IES's energy costs were \$0.01136 per kWh. In the same time period ending February 2001, IES's energy costs were \$0.01654, an increase of approximately 46 percent. For the month of February only, the increase in fuel costs between 2000 and 2001 is approximately 76 percent. Purchased power costs are also substantially higher in 2001 than in prior years.

IES's formula for automatic adjustment is based on the required information plus an additional ten months of sales and cost data. The additional data has been a part of IES's formula since October of 1999, when the Board granted a waiver to allow use of additional data. The purpose of the additional data is to reduce fluctuations in the monthly EAC factor by smoothing the changes. However, the additional data also causes the EAC factor to be slow in responding to sudden changes in fuel and purchased power costs. As a result, IES currently has an under-collected EAC balance of \$13,211,075; if the formula continues unchanged, this undercollection is expected to increase to over \$30,000,000 by this summer. This undercollection would ultimately be collected from IES's customers as a cost of providing service, but lengthy delays in recovering these balances could lead to generational inequities among different customers.

IES recognizes the need to address this potential undercollection in a timely manner, but does not want to abandon the existing EAC process entirely. IES proposes to reduce the undercollection through use of an adder on its EAC factors for April, May, and June 2001. The proposed adder would be \$0.008 for April and May and \$0.004 for June. (The adder for June was reduced because IES's higher summer season rates will begin on June 16, 2001.) IES indicates the adders will reduce the overall under collected balance substantially and will therefore reduce the risk of severe under collections being carried forward into 2002.

The Board will approve the proposed adder. The effect of the adder will be to make IES's EAC for April, May, and June of this year significantly higher than in past years, but this is only because the cost of providing service is also significantly higher than in past years. If this severe undercollection is not addressed immediately, it will only get worse and the final charges could fall on customers who did not use IES's service during the time when costs were high. Moreover, addressing the problem now means it should be resolved before summer rates begin, which will be better for IES's customers.

**IT IS THEREFORE ORDERED:**

Filing EAC-01-07 is approved, subject to objection, authorizing an energy cost adjustment factor for IES for the April 2001 billing month of \$0.0261 per kWh, which

includes the \$0.008 adder described in the body of this order. A supplemental waiver of 199 IAC 20.9(2) is granted to IES to permit inclusion of the \$0.008 adder in April and May 2001 and an adder of \$0.004 in June 2001.

**UTILITIES BOARD**

/s/ Allan T. Thoms

/s/ Susan J. Frye

ATTEST:

/s/ Judi K. Cooper  
Acting Executive Secretary

/s/ Diane Munns

Dated at Des Moines, Iowa, this 26<sup>th</sup> day of March, 2001.